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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Ex Parte Submission – WT Docket No. 02-55 – Continued Qualifications Of Transition Administrator

Dear Ms. Dortch:

Preferred Communication Systems, Inc. ("Preferred") hereby submits the latest public report on the ongoing problems with a key member of the Transition Administrator team, BearingPoint, Inc., which is charged with overseeing implementing the complicated 800 MHz rebanding plan adopted by the Commission.

Respectfully, submitted

Preferred Communication Systems, Inc.

By: Paul C. Besozzi
Paul C. Besozzi

cc: Charles M. Austin

washingtonpost.com

Chief Executive At BearingPoint Explains Errors

Harry You Says Poor Training Is At Root of Accounting Problems

By Ellen McCarthy
Washington Post Staff Writer
Monday, October 24, 2005; D01

Harry L. You took the top spot at McLean-based BearingPoint Inc. in March and pronounced with the same confidence and candor that won him favor with Wall Street as an executive at Oracle Corp. that the consulting firm's accounting problems were "eminently fixable."

The company's long overdue financial results, he said, would be released by the end of the summer.

In July he said the financials would not be wrapped up until September. In September the date was pushed back to October. Two weeks ago he told investors the company would not make that deadline either.

Frustrating to analysts and investors who follow the company and unflattering for a firm that advises others on their finances, the delays stem from a problem that chief executive You in an interview last week said is rudimentary: The company's numbers are wrong because its employees entered them wrong.

In one of the most detailed public explanations yet of the issue, You, 46, said that poor training on BearingPoint's new OneGlobe financial system produced enough wrong data in 2004 that it required the company to essentially start from scratch on its accounting for the year, a task that has taken longer than expected.

There was no high-tech fix or easy, elegant solution. Instead, for the past few months, a corps of 400 temporary accountants has worked with company employees to manually re-create the financial data associated with BearingPoint's 6,470 North American contracts from the last couple of years.

Billing and expense records were verified with the consultants. Data were reentered, a transaction at a time.

"It's not anything sinister or malicious," said You, who is also restructuring BearingPoint's business in the United States and abroad. "The problem is . . . if you just make some slip-ups and you have to recheck everything, you kind of get stuck behind the eight ball because it just takes a long time to replicate whether you did things correctly.

"Our people weren't quite ready or trained as the new system came on board, and there were some entries that did not get done right. And then once those things are done wrong, you get in this sort of perpetual catch-up where your books and records are off and you are trying to figure out the source of the problem. But it is nothing that is fundamentally wrong with the system."

BearingPoint was spun off from KPMG LLC in 2000 when large accounting firms were under pressure to divide their auditing and consulting units because of conflict of interest concerns. Allowing one branch of a company to advise a client on what to do, while another signed off on the books, had become a recipe for trouble in the opinion of federal regulators.

Given that the company advertises itself as an expert in building financial-management systems, it was troublesome enough last November when officials announced that some of its invoices had been counted twice and followed that two weeks later with news that $92.9 million in assets had been misclassified.

Magnifying the impact of the information was its timing. BearingPoint's troubles came during a string of high-profile revelations about corporate accounting trouble -- from the Washington-based saga of mortgage giants Fannie Mae and Freddie Mac allegedly manipulating financial information to the unraveling of alleged accounting fraud at companies such as WorldCom Inc. and HealthSouth Corp.

While the Securities and Exchange Commission is investigating what happened at BearingPoint, no fraud has been alleged, and You said a draft of the company's financial statements for 2004 showed that there were no "real surprises" uncovered. The draft document was recently sent to auditors at PricewaterhouseCoopers LLP for review before it is formalized and filed.

"When there is a delay, people always worry about fraud first. . . . People tend to think there is an elephant in the closet," You said, adding that in this case "it is fortunately pretty mundane. It is clerical."

But the uncertainty has posed its own set of problems.

Because the company did not know how many errors might have been made in the months it was using its new system, it had no choice but to recheck every accounting entry.

The process has been laborious, involving not only the hundreds of accountants, but forcing many of the company's 17,000 employees to retrace the hours they worked on each project and verify their billing information. It was a factor in what has been a troubling talent drain, You said. In the first nine months of the year, about one-fourth of BearingPoint's workers left the company.

New employees have been hired, but You has had to put a premium on retention. He implemented a new merit-based compensation system for the top 800 employees and made it fully open so that each knows the salaries of all the others. He also began holding company-wide conference calls every other week so employees can ask about everything from vacation policy to You's vision for the company.

Not all who follow the company have accepted You's description of BearingPoint's problems or think he has done enough to fix them.

William R. Loomis, an analyst at Legg Mason Wood Walker Inc., said You's explanation about the source of the accounting problems makes sense. But he added that if the financial system the company created "wasn't user intuitive and you have to spend a lot of money to train people, then the system probably wasn't installed right."

In recent months, the company announced it was closing operations in Peru and Thailand, strengthening its presence in India, and focusing on landing larger, more profitable projects. You told analysts two weeks ago he expects BearingPoint to turn a profit next year.

Reviews from Wall Street have been mixed. After a meeting with analysts two weeks ago, Goldman Sachs Group Inc. issued a report saying it was "optimistic the turnaround is gaining steam." Merrill Lynch & Co. Inc., however, said its analysts believe the "risk/reward on [BearingPoint] shares remains unattractive."

Some analysts argue that the company would be better off selling the commercial side of its business and focusing solely on the government clients that now bring in 40 percent of its revenue. You said the chances of that happening are "virtually nil" and added that he feels the commercial and public sectors of the business are complementary because the technologies developed for one side can often be used by the other.

As for the accounting problems, You said employees are now fully trained on the new financial system and the rate of errors since the beginning of this year has been "very, very low."

At the beginning of the process, BearingPoint had a list of about 800 issues to resolve and facts to verify. At this point the company and its auditor are down to the last dozen, You says, "so the end is in sight."

"At this point, we're at the stage where you say, 'Look, let's just get it right once and for all,' " he said. "And that'll be it. Then we'll move on."